

## **Mid-Term Review – Draft Final Report Nigerian National Privatization Program**

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### **EXECUTIVE SUMMARY**

This Executive Summary presents the salient points of the Mid-Term Review of the project denominated “Nigeria – National Privatization Program” funded by the USAID Mission in Nigeria and implemented by International Business and Technical Consultants, Inc. (IBTCI), as the contractor. This project has been under implementation since June 2001 and is scheduled to conclude by November 28, 2002. This project is the second Technical Assistance initiative funded by USAID/N in support of BPE and the FGN’s privatization program. The contractor in the previous effort was also IBTCI.

The Review Team, composed of two expatriate consultants, carried out the Mid-Term Review in Abuja between May 27 and June 8, 2002. The purpose of this Review was to examine the overall effectiveness of the Technical Assistance provided by USAID/N to the Bureau of Public Enterprises (BPE). The objectives of this review were to include, principally, an assessment of the effectiveness of the “Core Team” concept in strengthening BPE’s organization and capability to manage and lead the Federal Government’s Privatization Program. The review was to also include an assessment of the privatization transaction procedures developed and adopted by BPE and, last; an examination of the benefits and effects of privatization to date. Upon arrival of the Review Team, it was agreed with USAID/N that the Review would be limited to the analysis of only the Core Team’s effectiveness and the assessment of the procedures.

#### ***The Mid-Term Review***

The overall impression that the Reviewers could draw from this exercise, if required to express it in the most succinct manner could be articulated as follows: Anticipating achievements, the Review Team was struck with the degree of professionalism and effectiveness that this privatization effort has achieved in a very short order. The lessons learned, detailed in the text, surely include that the combination of professionalism, expertise, and political will with the adjunct of USAID-funded support for an innovative concept and world-class technical advisors, both expatriate and locals, to buttress those efforts can result in significant and wide-ranging successes. Furthermore, also in the view of the Review Team, the design and implementation of this privatization program represents a significant success by implanting highly trained and experienced professionals of the country into the implementing agency and having that agency support their efforts. The justification of such statement is provided in the rest of this Executive Summary and throughout the main report.

#### ***Core Team Concept***

The concept behind the Core Team, as currently being used at BPE, represents a novel approach to providing technical assistance and institutional strengthening support that has been evolving to its current form since it was first implemented by IBTCI at the start of USAID’s assistance to BPE. Unlike the common approach where contractors hire local professionals who then work in a support capacity to the expatriate advisors, the Core Team approach called IBTCI to hire Nigerian professionals who had been educated in the West and were or had been working in the US, UK or other industrialized countries and, therefore had had exposure and acquired experience that was similar to that of an expatriate advisor in the same functional area with a little less

experience. After they would be hired, IBTCI would second them to BPE where they would be made a functioning part of line/staff management in positions where they could clearly make a contribution based on their respective individual recent work experiences.

### ***Overall Findings***

The Review Team's most important overall finding is that, despite the presence of some weaknesses and problems, this USAID-funded Privatization Project appears to be contributing to significant institutional gains, particularly in its ability to assist the BPE to carry out professional and transparent privatization transactions. The implementation of this complex and delicate privatization project, however, has been in the past and will continue in the future to be heavily reliant on the professional skills and expertise of the Core Team and the IBTCI expatriate advisors. Thus, while expatriate advisors are involved in several key policy and support privatization activities, it is the Core Team members who are actually planning, managing the transactions and directing and working the processes' day-to-day activities.

Much of the initial work of the Core Team focused on the organizational, procedural and legal developments necessary to institutionalize procedures, criteria, and operations necessary for transforming BPE into an organization that could carry out transparent and competitive privatizations. To understand more fully the importance of the Project and the significant gains achieved up to now, it should be considered in light of and compared to what BPE was capable of doing as recently as two years ago, prior to the arrival of the USAID-funded IBTCI expatriate advisors and Core Team members. The way BPE operates today is dramatically different.

- Most fundamentally, BPE now has sufficient and adequate transaction capabilities to handle the sale of most companies in its portfolio.
- BPE now can regularly follow procedures thanks to the consistent adherence to and aggressive enforcement of the principles and procedures adopted by BPE.
- BPE now has better trained, experienced professional staff that has learned on-the-job from the IBTCI expatriate advisors and Core Team members.

Without doubt, much of the success of the Core Team concept can be traced to the concerted effort that BPE's top management put into making sure that it would work. Embracing the concept was more than just willingness on the part of BPE's Director General, Mr. Nasir el Rufai, but his vision and leadership made it work in a manner that the Core Team would maximize and optimize the benefits that it could bring to the institution. Therefore, the Director General and Director of Operations had a crucial role in the success of the Core Team concept and in how this translated into significant benefits and gains for the BPE.

### ***Why the Core Team Concept Worked Effectively at BPE?***

The USAID-funded "Core Team" concept and approach, as used in Nigeria, are basically sound. Starting with the arrival of the first IBTCI Team members in the summer of 2000, the resulting institutional transformation of the BPE is striking—if only in the sense that the team's presence has enabled BPE to begin carrying out privatization transactions in a professional manner approaching international standards. What are the conditions for the success of the Core Team approach that might allow a similar approach to be replicated elsewhere?

- First of all, the political will of the Executive Branch charged with economic reform is critical.

- Second, it is essential that the management of the privatization agency be undertaken by a dynamic visionary willing to drive the privatization program without being sidetracked by the difficulties to be encountered along the implementation process.
- Third, the donor agency has the confidence that its investment in the Core Team will be effectively and professionally utilized.
- Fourth, the contractor selected by the donor agency supports the Core Team in professional and contractual areas without intruding on their relationship and work related responsibilities with the privatization agency.
- Fifth, it requires a highly qualified, educated, skilled and motivated cadre of professionals willing to take the risk and to apply their skills as Core Team members.

The Core Team concept also works because the high quality of its members in terms of educational background, working skills and past work experience. This arrangement also works because the Director General felt comfortable delegating his authority. This paved the way for the quicker empowerment of those Core Team members that arrived later and who are also now working productively within BPE. The concept also works when BPE staff that are assigned to work with Core Team members are adequate in their skills and dedicated to their work and when the Core Team, at least those involved in transaction work, are very much involved in on-the-job training.

### ***Fragility of Institutional Capacity and Capacity for Future Gains***

In spite of the successes already achieved, the processes beyond those carried out by Core Team advisors are not yet that deeply understood or ingrained within the institution, despite the enormous strides being made by the regular BPE staff working with the Core Team and expatriate advisors. Therefore, the current institutional and operational capability and overall situation of BPE is very tenuous.

Because of the enormous work demands originating and driving privatization transactions to completion, the transfer process of Core Team skills to the BPE staff is far from accomplished. Thus, BPE's transaction ability, as an institution closely tied to the current administration, could collapse if an outsider or someone that does not understand the current internal mechanisms of the process replaced the Director General.

Possibly more damaging would be the departure of certain key members of the Core Team. This is of particular concern because USAID involvement through this Project is expected to end in November 2002. At that time, the funding of the Core Team, will be taken over and be funded through the World Bank Credit. However, its past experience of working with the World Bank has made BPE management wary and fearful that some of the key Core Team members might exit before the Presidential elections. Thus, despite apparent agreements that the transition will not lead to changes, there is real concern about the potential loss of key Core Team members during the USAID-World Bank transition expected to occur later in 2002.

### ***Improvements In BPE's Transactions Capacity***

Prior to the arrival of the IBTCI expatriate and Core Team, the BPE was characterized by not having an adequate transaction capacity. There were ad-hoc procedures and ad-hoc criteria were used to select advisors. There was little or no understanding of advisory roles and purposes, of a basic understanding of the elements of any transaction, little or no marketing effort, scarce documentation and a dearth of knowledge on the kinds and format of documentation necessary for transactions.

While not perfect, the BPE and its Core Team have been able to overcome all these aspects. The results are significant. Procedures are now codified and followed for all aspects of the transactions. International standards for the procedures have been set in place by codifying, adhering to and enforcing them. As a result, BPE is now running a privatization program that can withstand the scrutiny of any investor or arbiter of standards and procedures. The transaction process itself is clearly laid out in writing, and the criteria are available to the public as well as to prospective investors. Therefore, the result is that transparency is recognized by BPE as being the requisite that makes its privatization program credible and the Bureau now makes concerted efforts to maintain this transparency in all transactions.

### ***Other Institutional Findings***

Under this project, IBTCI expatriate advisors and Core Team members have also assisted in the improvement of the functional capabilities of other departments and units within BPE including:

Information Technology Unit. - The Information Technology Unit has now been organized with the support of IBTCI's expatriate advisor, a core team member and, with staff in place, is starting to yield significant improvements. The unit has set in place the capability to exchange data throughout the BPE; to expedite decision-making and improve timelines. It has also set up systems that would allow management to determine level of effort on the part of labor and capital resources and timelines.

Labor Unit. - The Project supports an IBTCI expatriate advisor and one Core Team member who deal with political and gender issues as they relate to labor. They monitor labor issues, addressing labor concerns, advising on problems and issues before they turn into crises, and make assessments of workers' salary arrears. The BPE, through the Labor Unit, has developed a labor policy that was accepted by the National Council on Privatization (NCP) in February 2002.

Procurement Unit. - Currently, there is an IBTCI expatriate consultant working on procurement issues within the Procurement Unit in the Planning and Monitoring Department. These advisors have been working with BPE in the preparation of a procurement plan that sets out guidelines and action points that will be applicable to the entire set of privatization activities that will be funded under the World Bank loan.

### ***Problem Areas And Weaknesses Within BPE***

The considerable gains associated with the support of the USAID-funded project with respect to BPE's development as an institution capable of carrying out privatization transactions at high levels of professionalism has been paid for at a price. Given the Project's limited resources, the success has been obtained at the expense of reduced support and attention to activities such as public relations and consensus building, as well as planning and monitoring. Thus, the choice of staff assignments has been biased in favor of strengthening the Bureau's transactions capability. But, at this junction of BPE developments, it is no longer transaction capability that is the main constraint to BPE privatization capability. Other areas have overtaken the need for BPE to increase its capability to do transactions as the main constraint to privatization and now require attention.

Weaknesses With Public Awareness, Public Relations And Consensus Building. - The essential areas of public awareness, public relations, consensus building and planning and monitoring were important areas of the Project's original scope of tasks. However, from the beginning of the Project, the IBTCI expatriate advisors and the Core Team

members assigned to these areas in practice have been shifted by BPE management to work more on actual transactions and less in these equally important areas.

BPE Management Problems Concerning The Core Team. - With the Core Team members scattered throughout BPE, with duties not always apparently related to the Department Head to which he or she reports, problems have arisen with accountability and basic management. There are problems also with communication among the Core Team members, although that is expected to improve with the increasing use of computer technology. At this time, the Core Team members have no job descriptions or statements highlighting what they intend to accomplish over some future time span, a fact that encourages inefficient behavior on the part of some Core Team members.

No Studies Examining the Impact of Privatization - The BPE, and by extension the Government and NCP, do not have the ability nor the means to demonstrate to the stakeholders and the public at large, the real impact that the privatization process may be having on the economy and on those social areas that are of more interest to the general population. There are no serious studies on privatization, either on current issues or, even less, on the past experience and the results and impact that previous privatizations, going back to the early 1990s, have had on the companies themselves and on the overall economy. This is mainly due to the lack of pertinent information that could allow for serious and unbiased analyses. It would also seem that this area would greatly benefit, if BPE's management redirects some of its resources within the Core Team to actively support the activities of that part of the Planning and Monitoring Department dealing with the impact assessment of privatization.

### **Conclusions**

The implementation of the Privatization process in Nigeria, using the combination of IBTCI's expatriate consultants and Core Team members, appears to have been highly successful. This is particularly the case with respect to the USAID-funded project's contributions to making available to BPE a skilled and experienced transaction team that instantly provided the Bureau with an unmatched privatization transaction capability. This same team has also contributed to an overall upgrading of existing and the adoption of new financial systems and procedures as well as to raising the consulting standards in Nigeria.

As a result of the great success on the transactions side made possible to a great extent by the USAID-funded Project, and the consistent demonstration of commitment and political will at the highest Government levels, the Nigerian Privatization Program is moving steadily forward, although some stagnancy is expected until after the Presidential elections scheduled for the Spring of 2003. However, Nigerian decision-makers are concerned that the USAID planned pullout in November 2002, with management and funding of Nigerian privatization shifting to the World Bank, could lead to the loss of key Core Team members and the contributions of the resident expatriate team.

### **Recommendations**

The recommendations that were derived from the Review focus primarily on issues that are pertinent to the Core Team members and on how this group could assist BPE more effectively. The recommendations presented in this section deal with issues related to three important aspects that were identified during the course of the Review.

With regard to continuing to strengthen the Core Team participation in its transaction activities:

- Transaction work should continue to be the primary area where the Core Team members should be assigned. However, should not be at the cost of not supporting other areas.
- Core Team members indicated that too much of their scarce time is spent on small and less important companies. Therefore, BPE should also prioritize the privatization of public enterprises based on a schedule that considers which transactions are most important
- To maximize the contribution of Core Team members, BPE should develop its privatization timetable in a more flexible and realistic manner.

In reference to the need for BPE to increase support by Core Team on privatization processes other than transactions:

- Strengthen significantly other departments for which there is evidence that they are weaker than others: On this, the Core Team could play a significant role.
- The limited support the Core Team has been providing outside transactions has been the result of their own initiative. BPE should encourage this but should also formalize it.
- Because of the diverse interests and skills of the, BPE should consider introducing a system where these Core Team members could rotate between transaction work and work in other areas of the organization. .
- BPE should consider forming a group akin to a Junior Core Team.

Related to improving BPE managing of the Core Team:

- BPE must strengthen its institutional structure with procedures that could allow the institutionalization of what the Core Team is doing in terms of their work.
- BPE should provide the Core Team members with job descriptions as they move from assignment to assignment
- BPE should develop a work plan for each department where the role and participation of Core Team members is clearly articulated.
- BPE should consider some type of supplementary assistance such as a travel stipend or covering the cost of transportation for Core Team training.
- BPE should start aggressively thinking how it will confront problems that may arise with the transfer of the Core Team members from IBTCl to the aegis of the World Bank.
- BPE should prepare contingency plans to deal effectively and rapidly with the departure of Core Team members, if and when this happens as a result of the transfer or for any other reason.